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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

August 9, 2010

Arizona Corporation Commission

DOCKETED

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RE: Docket No. E- 01345A-09-0227

Dear Madam Chair and Commissioners,

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RDS

On April 14, 2010 the Arizona Corporation Commission (herewith referred to as "the Commission") docketed a decision approving Arizona Public Service's (APS) application for a pilot program in Flagstaff ("Flagstaff pilot").¹ The Decision approved APS's proposal for a pilot program of approximately 200 "stand-alone" PV arrays.

The pilot was slated to be a study of the effects of distributed energy on the electrical grid. In a letter docketed May 27, 2009 the Solar Alliance suggested that a better approach for this study would include installations by parties other than APS. Such an approach would allow for a variety of relevant data points and test cases.

In its decision, the Commission stated "we believe the Flagstaff project can be structured to offer opportunities for both utility and installer participation.....for the balance of systems, or the remaining 100, APS should offer a limited 120 day window from the date APS files a notice in docket control....."² Unfortunately, few, if any, third party installations have been proposed or installed in Flagstaff to date. This is unfortunate, as the Solar Alliance believes that the Flagstaff pilot study and Arizona ratepayers will be better served if system owners other than APS were also involved.

The reasons for the lack of participation are as follows:

1. APS rate bases the full cost of its projects, whereas other installers/owners do not;
2. For private parties to compete, the rebate level needs to be set at such a level that it can compete with a fully rate based system; and

¹ Decision 71646, *In the Matter of Arizona Public Service Company's Application for Approval of a Distributed Energy Initiative: The Community Power Project - Flagstaff Pilot*, April 14 2010

² at Section 53, lines 24-27

3. At the time of the decision, March 31 and April 1, the APS residential rebate level was set at \$3/watt. The Solar Alliance requested the \$3/watt rebate remain in place and a lifting of the 50% cost cap. Unfortunately, on the same day, March 31, APS requested close to a 30% drop for all solar rebates.³ This proposal was adopted, thus making non-utility owned systems uncompetitive with utility owned systems in Flagstaff.⁴

The Solar Alliance supports the goals of the Flagstaff pilot but believes they can only be met if the 100 non-utility owned systems are installed. The installation of such systems will ensure that APS can collect data on a variety of systems and installations as the pilot progresses. Without this data, the study will address only systems owned by APS, which will not be representative of what will occur across APS's territory as more distributed generation systems are installed in the future.

To this end, we recommend the following solutions:

1. Set rebates for the Flagstaff region to be on par with the rate based systems;
2. Extend the 100 additional system application deadline to December 31, 2010; and
3. Create an incentive (or penalty) to ensure that APS is meeting the goals of the Flagstaff pilot as outlined above and in the Commission Decision of April 14, 2010, including a penalty on cost recovery should APS not meet the 200 system installation goal, with 50% provided by non-utility installers.

Respectfully Submitted,



Carrie Cullen Hitt
President
The Solar Alliance

³ APS Application for Modification of Residential Incentives filed March 31, 2010, in the APS 2010 RES Implementation Plan

⁴ Decision No. 71686 (April 30, 2010)